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GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

RESOLUTION.

TARIFFS.

New Delhi, the 6th March 1950.

No. 33(1)-T.B./50.—The Government of India have considered the Report of the Indian Tariff Board on the sugar industry. The recommendations therein cover a very wide field. On the more urgent among them, Government have decided after careful consideration to take action as indicated hereafter. Government will examine the other recommendations and announce their decisions thereon, as early as possible.

(i) *The Indian Sugar Syndicate.*—After exhaustively examining the activities of the Syndicate ever since its inception, including the part played by it during the sugar crisis of July-August 1949, the Board has stated:—

"In recent years, the Indian Sugar Syndicate's control over its members has been ineffective. The Syndicate does not appear to have ever tried to improve the efficiency of its members or carry out research in respect of sugarcane and sugar. Nor does it appear to have ever taken any effective steps to prevent its members from charging high premiums for sugar in conditions of scarcity. On the contrary, it has, whenever free from control, abused its monopolistic powers so as to help its members make large gains at the expense of the consumer."

"Subsequent to decontrol of sugar in December 1947, the Syndicate showed its reluctance to submit itself to control and supervision by the Sugar Commission of the Governments of U.P. and Bihar."

"In its dealings with the Government of U.P. and the Sugar Commissioner regarding the release of sugar quotas in 1949, the Syndicate was far from being straightforward."

"By its improper policy of quota releases and approaching the Government of India in June, 1949 to negotiate for the export of sugar, the Syndicate created a psychology of scarcity in the country which led to hoarding by merchants and consumers like confectioners."

It has then reached the following conclusion:—

> "The Governments of U.P. and Bihar should rescind clause (a) of Section 11 of the Sugar Factories Control Acts and the rule made thereunder which requires all factories in the two Provinces to be members of the Syndicate as a condition precedent to their obtaining the annual crushing licence. As to whether or not the Syndicate should continue as a voluntary organisation of some or all of the sugar mills in the two provinces it is considered appropriate and desirable that the matter should be left to be decided by the mills themselves without any interference from Government."

The Government of India agree with this conclusion and propose to move the U.P. and Bihar Governments in this behalf.

(ii) *Sugar crisis.*—The Board has stated that the main contributory factors which caused the sugar crisis of July-August 1949 were—

(a) large and rapid quotas released by the Syndicate; and

(b) excessive wagon supply.

In view of the decision reached with respect to the Syndicate it is not necessary to dilate on the question of these particular quota releases. On the question of excessive wagon supply the Board has recommended that "in the public interest this matter should be fully investigated".

The Board has also recommended that 'Government should institute an enquiry into the allegation that sugar intended for consumpion in India was in fact moved into Eastern and Western Pakistan on and appreciable scale in 1949" and this also possibly contributed to the scarcity.

Government accept these recommendations and necessary action will be taken to implement them.

Further, in the course of the debate on sugar in the Constituent Assembly (Legislative) on 24th December 1949 Government stated that "to the extent the Tariff Board Report on the sugar industry does not cover any aspect of the sugar crisis which occurred during July-August 1949, Government will arrange to have a full enquiry made by a body which thoroughly satisfies the House". The question whether any such further enquiry is necessary regarding the sugar crisis, and if so, what its scope should be is now engaging the attention of Government and a decision thereon will be taken shortly.

(iii) *Protection.*—Recommending withdrawal of protection to the sugar industry the Board has stated: "The difference between the present price of indigenous sugar (Rs. 28-8-0) and the estimated landed cost (Rs. 22-8-0) being Rs. 6-0-0 per maund, the present duty of Rs. 6-0-0 per maund would give adequate protection to the indigenous sugar industry, if such protection were needed. There is however no danger of any competition from low-priced imports of sugar on an appreciable scale for the next two or three years, because the surplus sugar available for the "free market" is likely to continue to be small and, particularly because, in the context of the present balance of payments position of the country Gove nment are not likely to permit imports of large quantities of sugar. Further, according to our estimate, the fair ex-factory price of indigenous sugar (E 27) can be reduced to Rs. 24-12-0 per maund in 1950-51. We have felt that the continuance of protection for the last 18 years has produced an attitude of complacency on the part of the three parties, namely, Government, the industry and the cultivator who are

responsible for the efficiency of the industry and that, consequently, they have not taken sufficient steps to improve the overall efficiency of the industry so as to bring down its cost of production. We, therefore, consider that this is the most suitable opportunity to withdraw the protection without any serious risk to the industry. We accordingly recommend that the protection to the sugar industry should not be continued beyond 31st March, 1950, Government being free thereafter to impose such revenue duty as they consider necessary."

"If there is a change in Government's policy regarding imports of sugar in the near future giving rise to severe competition from foreign imports so as to jeopardize the position of the sugar industry, it will be open to the industry to approach Government for the restoration of protection. And we have no doubt that Government will institute an enquiry to review the position as expeditiously as possible and restore protection to the industry if it is found to be justified."

Government have accepted this recommendation and action is being taken to give effect to it.

ORDER

Ordered that a copy of this Resolution be communicated to all concerned, and it be published in the *Gazette of India*.

S. RANGANATHAN, Jt. Secy

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